

State of Alaska FY2010 Governor's Operating Budget

Department of Commerce, Community, and Economic Development Qualified Trade Association Contract RDU/Component Budget Summary

RDU/Component: Qualified Trade Association Contract*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Promote Alaska as a top visitor destination, communicating and promoting the tourism industry as one of the state's major economic forces.

Core Services

- Promote and facilitate travel to and throughout the State of Alaska.
- Provide a broad-based association of individuals and companies with an interest in the Alaska visitor industry.
- Increase awareness of the economic importance of the visitor industry.
- Work cooperatively with the state on tourism development and long-range planning.

End Result	Strategies to Achieve End Result
<p>A: Increase interest and awareness of Alaska as a travel destination.</p> <p><u>Target #1:</u> 2% increase the number of high-potential visitors to Alaska.</p> <p><u>Status #1:</u> Data for this target is collected periodically. The next time the data will be updated is 2010. At that point, the data will show if the number of high-potential visitors has increased by 2% per year over the 2006 numbers.</p> <p><u>Target #2:</u> 2% increase per year in domestic and international visitors between May 1 and September 30 annually.</p> <p><u>Status #2:</u> 30% growth in tourism visitors over five years, with a 5% increase 2006-2007</p>	<p>A1: Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors.</p> <p><u>Target #1:</u> Register maximum number of Alaska Media Road Show participants based on facility capacity for each year to allow more Alaska businesses to gain exposure with influential travel publications and broadcasters.</p> <p><u>Status #1:</u> Met target of 100% of maximum number of participants, with actual number of participants being 45 at Alaska Media Road Show in FY08.</p> <p>A2: Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.</p> <p><u>Target #1:</u> 2% annual increase in the number of journalists assisted.</p> <p><u>Status #1:</u> Did not meet target of increasing number of journalists assisted in FY08 (500) compared to FY07 (525).</p> <p>A3: Distribute information to consumers via marketing brochures.</p> <p><u>Target #1:</u> 500,000 brochures distributed to potential Alaska visitors.</p> <p><u>Status #1:</u> Exceeded target of distributing 500,000 brochures to potential Alaska visitors by distributing 534,816 brochures in FY 2008</p> <p>A4: Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective</p>

	<p>media channels.</p> <p><u>Target #1:</u> Media selection converts to travel at a rate of 12% or higher.</p> <p><u>Status #1:</u> Exceeded target of converting potential visitors receiving or being exposed to select media at a rate of 12% or higher with a conversion rate of 15.59% in FY 2007.</p> <p>A5: Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail.</p> <p><u>Target #1:</u> 5% increase in TravelAlaska.com unique visitors.</p> <p><u>Status #1:</u> This target displayed for historical information only – a new tracking methodology is being used.</p>
End Result	Strategies to Achieve End Result
<p>B: The number of visitors to Alaska increases.</p> <p><u>Target #1:</u> 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30.</p> <p><u>Status #1:</u> Exceeded target of a 2% increase in the number of domestic summer visitors. Achieved a 5.4% increase during the period of 1 May and 30 September 2006 to 2007.</p>	<p>B1: Increase international visitors to Alaska from Japan and Germany.</p> <p><u>Target #1:</u> 2% increase in visitors from Japan.</p> <p><u>Status #1:</u> Exceeded target of increasing visitors from Japan by 2% with a 17% increase in visitors from Japan in FY08.</p> <p><u>Target #2:</u> 2% increase in annual visitors to Alaska from Germany.</p> <p><u>Status #2:</u> Exceeded target of increasing visitors from Germany by 2% with a 15% increase in annual visitors from Germany in FY08.</p> <p>B2: Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Alaska Certified Expert course.</p> <p><u>Target #1:</u> 150 annual graduates from the Alaska Certified Expert course.</p> <p><u>Status #1:</u> Exceeded objective of 150 graduates in Alaska Certified Expert course with 660 graduates of the course in FY08.</p>

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Distribute information to consumers via marketing brochures. • Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels. • Develop TravelAlaska.com as trip planning tool that will enhance (or replace) trip planning information distributed by mail. • Increase market exposure by increasing the number | <ul style="list-style-type: none"> • Host Alaska Media Road Show, Alaska's premiere media marketplace designed to connect Alaska business with influential travel writers and editors. • Conduct an annual media event in New York City so Alaska businesses and travel writers/editors can cultivate ideas for Alaska travel stories. • Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance. |
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Major Activities to Advance Strategies

- of travel agents graduating from the Alaska Certified Expert (ACE) program.
- Increase market exposure by coordinating efforts at major trade shows.
- Conduct a trade marketing program in key international markets to increase the number of visitors and improve direct air service from overseas markets
- Conduct research on an ongoing basis to increase effectiveness of all marketing initiatives.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$9,000,000

Personnel:

Full time	0
Part time	0
Total	0

Performance

A: Result - Increase interest and awareness of Alaska as a travel destination.

Target #1: 2% increase the number of high-potential visitors to Alaska.

Status #1: Data for this target is collected periodically. The next time the data will be updated is 2010. At that point, the data will show if the number of high-potential visitors has increased by 2% per year over the 2006 numbers.

Number of High Potential Visitors (Millions)

Year	Actual	Target	Variance
2006	20.0	25.2	5.2
2000	22.5	22.5	0

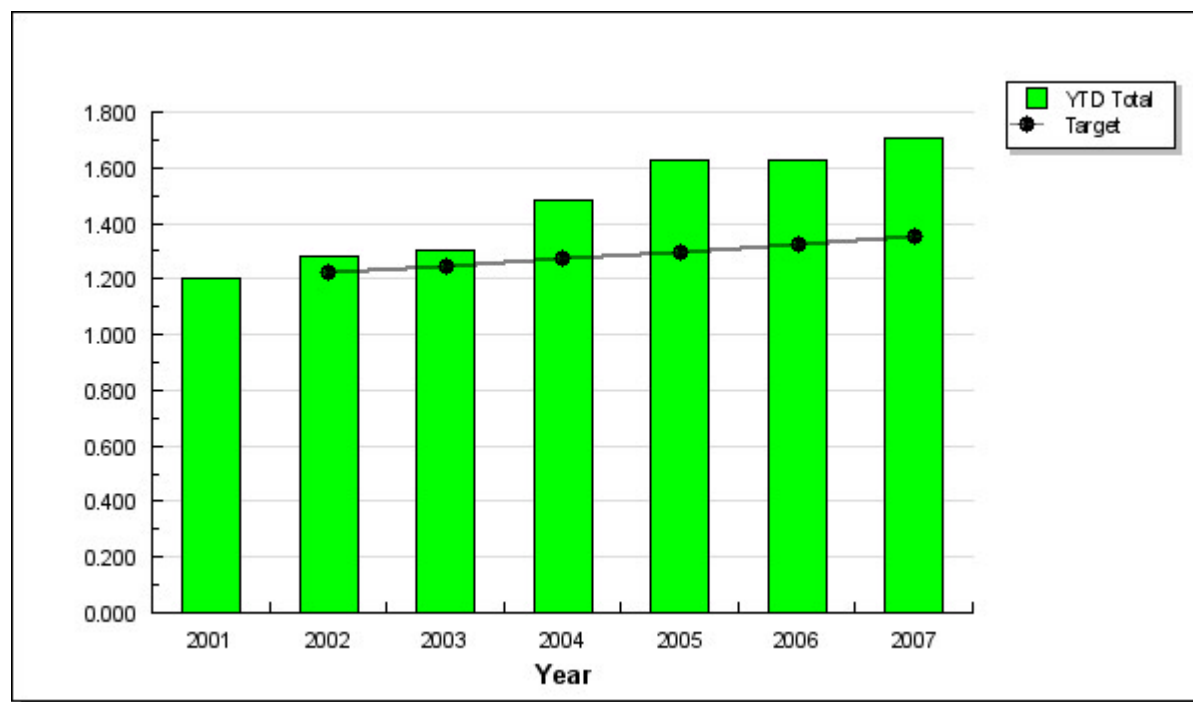
Analysis of results and challenges: The CY 2006 Images of Alaska study indicated that 20 million people, or 9% of all U.S. adults, are identified as high-potential prospective visitors (adults who state a high likelihood of visiting Alaska in the next 5-7 years).

Previously, the CY 2000 Images of Alaska study identified the size of the prospective/potential/high-potential Alaska visitor market. The study identified 22.5 million people, or 11% of all U.S. adults, as being high-potential prospective visitors.

ATIA is currently analyzing possible reasons for decline in high potentials. Discussions focus on national trends that indicate that people tend to take shorter vacations closer to home. Alaska marketing programs must continually address perceptions that Alaska is "too far away."

Target #2: 2% increase per year in domestic and international visitors between May 1 and September 30 annually.

Status #2: 30% growth in tourism visitors over five years, with a 5% increase 2006-2007



Methodology: The Alaska Visitor Statistics Program measures visitation between May to September of each of year. The last baseline study was conducted in 2006. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The 2001 study established that 91% of Alaska's visitors come during the Summer (May 1 through September 30). This table shows summer visitors from summers 2001 to 2006.

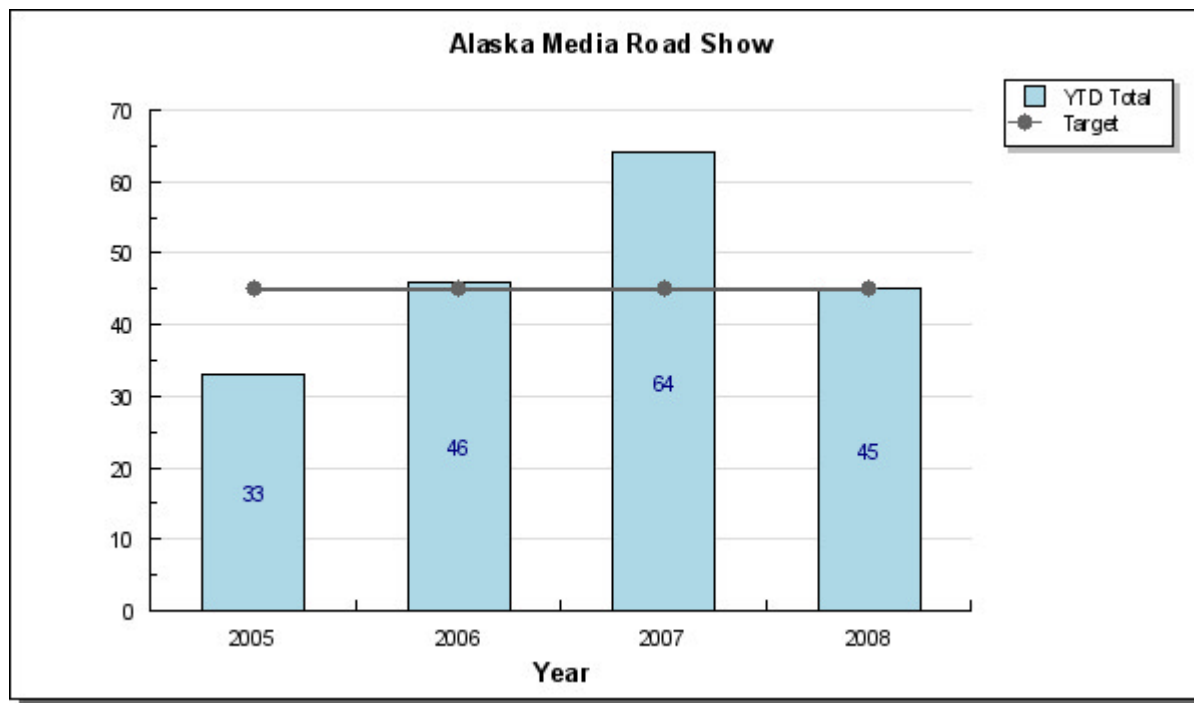
Year	YTD Total	Target
2007	1.71 +4.91%	1.351 +1.96%
2006	1.63 0%	1.325 +2%
2005	1.63 +10.14%	1.299 +2.04%
2004	1.48 +13.85%	1.273 +2%
2003	1.3 +1.56%	1.248 +1.96%
2002	1.28 +6.67%	1.224
2001	1.2	

Analysis of results and challenges: The 2007 Alaska Visitor Statistics Program (AVSP) estimates that 1.7 million out-of-state visitors came to Alaska between May and September, 2007 (5% increase in visitor volume from summer 2006). Of these, 1,029,800 were cruise ship passengers; 602,100 entered and exited the state by air; and 82,200 entered or exited the state by highway or ferry.

A1: Strategy - Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors.

Target #1: Register maximum number of Alaska Media Road Show participants based on facility capacity for each year to allow more Alaska businesses to gain exposure with influential travel publications and broadcasters.

Status #1: Met target of 100% of maximum number of participants, with actual number of participants being 45 at Alaska Media Road Show in FY08.



Alaska Media Road Show

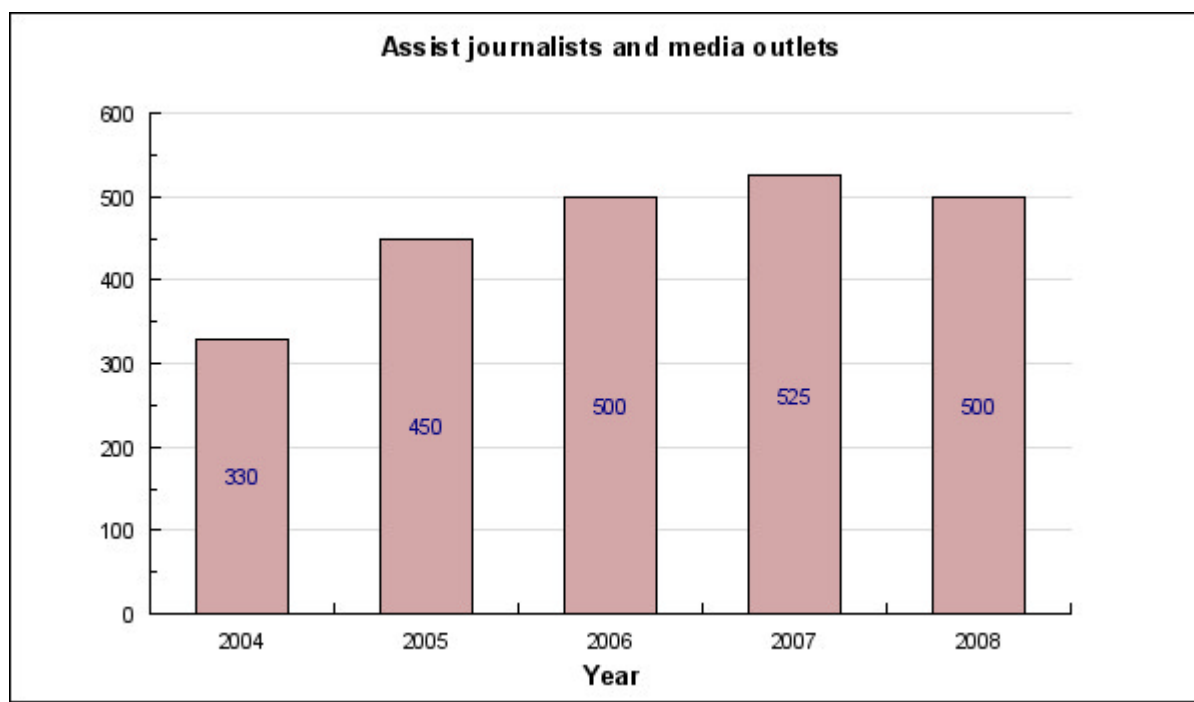
Year	YTD Total
2008	45
2007	64
2006	46
2005	33

Analysis of results and challenges: In FY08, ATIA staff and the public relations contractor hosted the sixth annual Alaska Media Road Show in Santa Barbara, matching members and community partners with 45 national travel writers to generate Alaska stories. The Alaska Media Road show is the flagship event of the public relations efforts and has proven to be an effective tool in reaching a variety of media. The FY08 road show was held in a smaller venue, thereby limiting the number of participants and returning participation to FY06 levels. Changing locations allows for a different mix (journalists and media organizations) of participants.

A2: Strategy - Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.

Target #1: 2% annual increase in the number of journalists assisted.

Status #1: Did not meet target of increasing number of journalists assisted in FY08 (500) compared to FY07 (525).


Assist journalists and media outlets

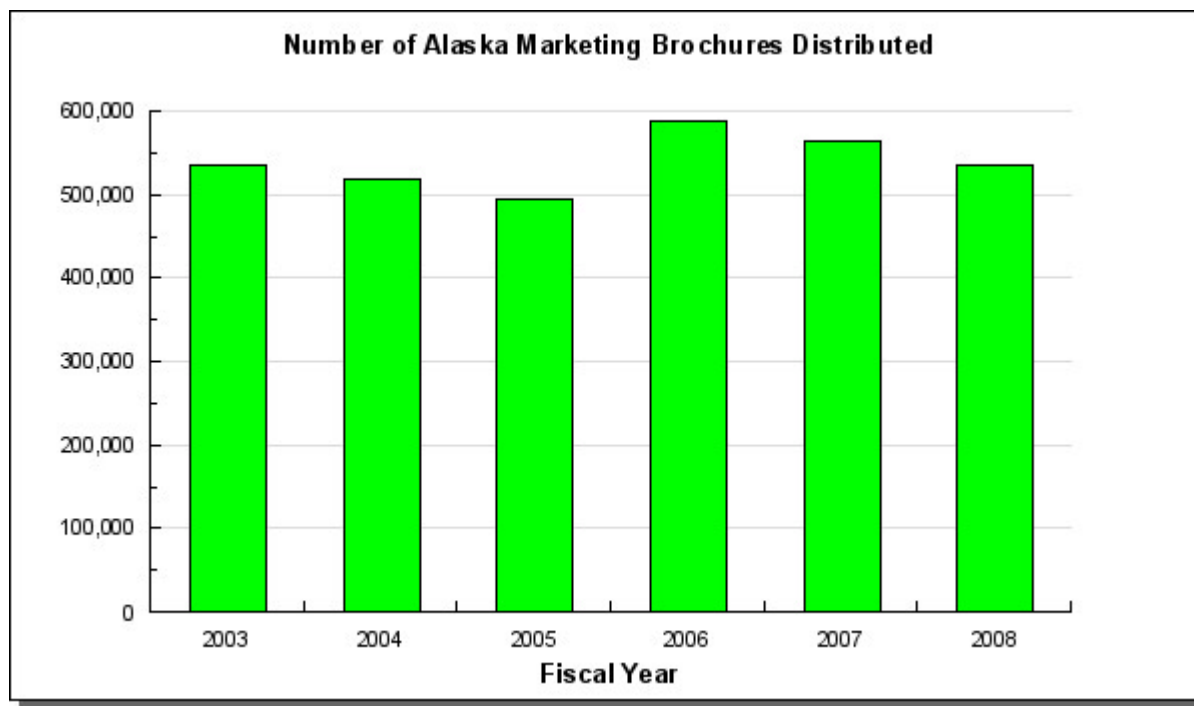
Year	YTD Total
2008	500 -4.76%
2007	525 +5%
2006	500 +11.11%
2005	450 +36.36%
2004	330

Analysis of results and challenges: In FY08 ATIA provided itinerary planning, b-roll duplication, fact checking, image fulfillment and editorial suggestions to roughly 500 domestic journalists and over 100 international media outlets. Assisting media results in very low cost exposure for Alaska especially in international markets that ATIA may not otherwise afford to reach. B-roll duplication is raw footage of Alaska images that ATIA has produced for commercials but can also be distributed for limited use by media and some film projects. These images help promote Alaska as a destination but distribution of these images occurs at a much reduced cost.

A3: Strategy - Distribute information to consumers via marketing brochures.

Target #1: 500,000 brochures distributed to potential Alaska visitors.

Status #1: Exceeded target of distributing 500,000 brochures to potential Alaska visitors by distributing 534,816 brochures in FY 2008



Number of Alaska Marketing Brochures Distributed

Fiscal Year	YTD Total
FY 2008	534,816 -4.99%
FY 2007	562,904 -4.44%
FY 2006	589,082 +18.95%
FY 2005	495,227 -4.52%
FY 2004	518,693 -3.24%
FY 2003	536,043

Analysis of results and challenges: The role of the Alaska Travel Industry Association (ATIA) consumer marketing programs is to find potential visitors throughout North America and provide them with compelling information about Alaska in an effort to convert their interest in Alaska to actual travel to the state. Aggressive direct response programs in FY08 allowed ATIA to reach millions of potential visitors and resulted in 534,816 qualified requests for Alaska travel information. Although the goal for the year was exceeded, the total number of brochures distributed to consumers responding to the marketing campaigns decreased slightly over the prior year.

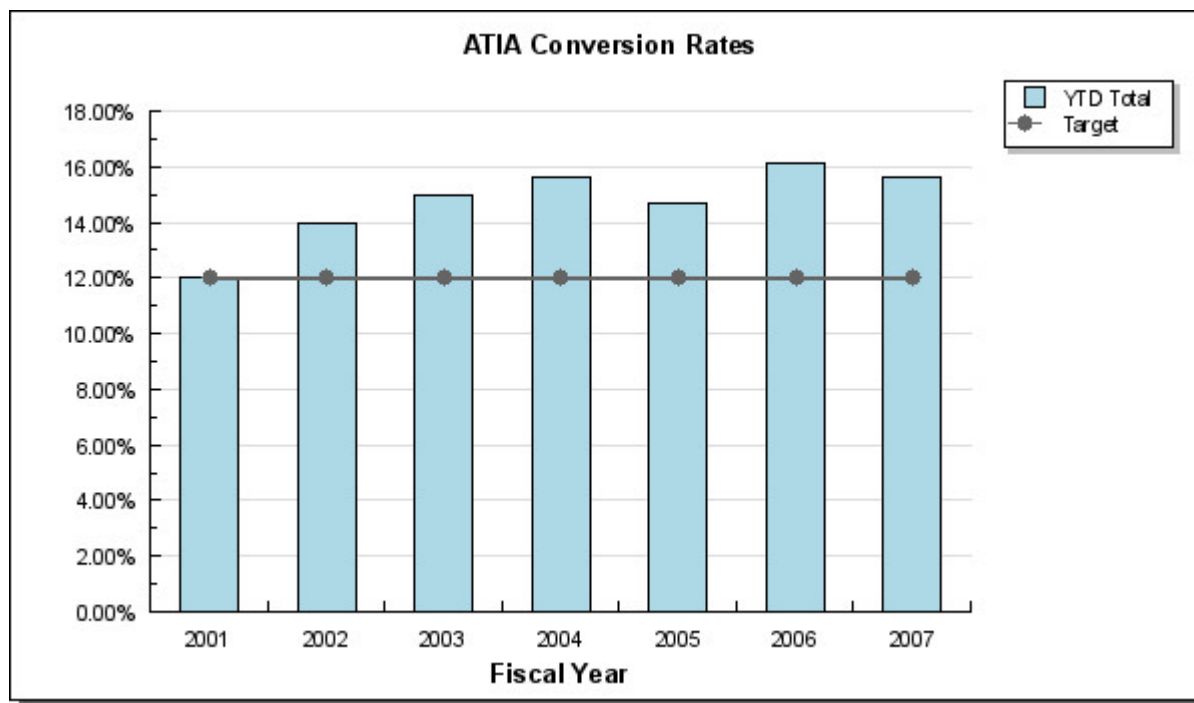
Each year, ATIA establishes a goal in regards to the number of marketing brochures distributed to potential visitors.

ATIA will continue to measure the number of brochures being sent each week, along with the total for the year, and share this information with the state and ATIA's member businesses. This is important data because it substantiates how effectively ATIA marketing programs deliver Alaska's message.

A4: Strategy - Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels.

Target #1: Media selection converts to travel at a rate of 12% or higher.

Status #1: Exceeded target of converting potential visitors receiving or being exposed to select media at a rate of 12% or higher with a conversion rate of 15.59% in FY 2007.



ATIA Conversion Rates

Fiscal Year	YTD Total	Target
FY 2007	15.59%	12%
FY 2006	16.11%	12%
FY 2005	14.7%	12%
FY 2004	15.6%	12%
FY 2003	15%	12%
FY 2002	14%	12%
FY 2001	12%	12%

Analysis of results and challenges: Understanding if and what types of advertising works is essential to forming a well crafted and cost efficient advertising program. Conversion rate is the industry term for the percentage of people who are recipients of various types of advertising and who actually buy the product, the product in this case being travel to Alaska.

The 2007 Alaska Conversion Study was conducted to measure the effectiveness and cost efficiency of selected advertising sources used in the 2006 Alaska Tourism Industry Association program. The overall 2007 conversion rate for all sources tested is 15.59%, which is slightly lower compared to 2006 (16.11%).

Conversion rates are highest in the West (17%), followed closely by the South (12%), East (11%) and the Midwest (10%).

The overall return on investment (including transportation costs) for all 2006 sources combined is \$137.2 per visitor, a small decrease compared to 2006 (\$168.19 per visitor).

The 2007 Alaska Conversion Study report became available in January 2008.

A5: Strategy - Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail.

Target #1: 5% increase in TravelAlaska.com unique visitors.

Status #1: This target displayed for historical information only – a new tracking methodology is being used.

Unique Visitors to TravelAlaska.com

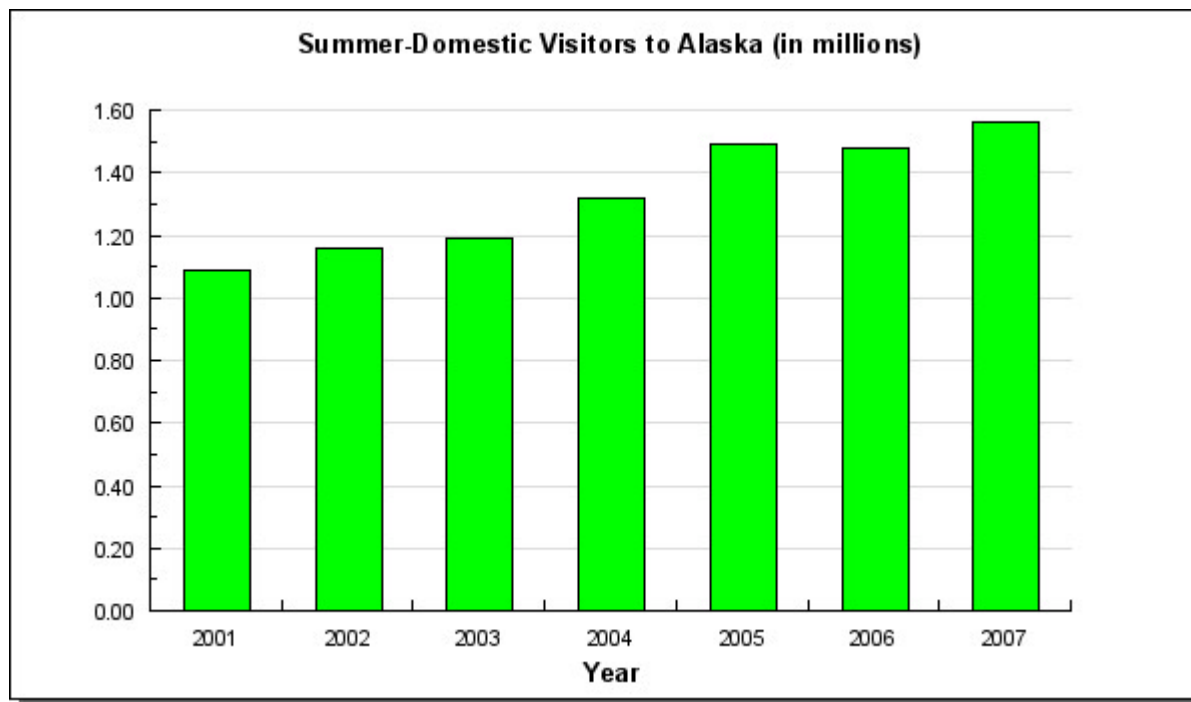
Fiscal Year	YTD Total
FY 2007	2,582,221 +26.34%
FY 2006	2,043,808 +36.76%
FY 2005	1,494,488 +2.99%
FY 2004	1,451,151 +70.54%
FY 2003	850,924

Analysis of results and challenges: ATIA tracks web site statistics throughout the year and shares the information with the marketing committee so their decisions can be based on relevant and reliable information.

B: Result - The number of visitors to Alaska increases.

Target #1: 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30.

Status #1: Exceeded target of a 2% increase in the number of domestic summer visitors. Achieved a 5.4% increase during the period of 1 May and 30 September 2006 to 2007.



Methodology: The Alaska Visitor Statistics Program measures visitation between October to September of each of year. Baseline studies were conducted in 2000-2001 and 2006-2007. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The 2006 study established that 91% of Alaska's visitors are domestic travelers and 9% are from overseas markets. The 2006-2007 AVSP is currently underway and results will be available in December 2007. Summer 2008 estimates will be available January 2009.

Summer-Domestic Visitors to Alaska (in millions)

Year	YTD Total
2007	1.56 +5.41%
2006	1.48 -0.67%
2005	1.49 +12.88%
2004	1.32 +10.92%
2003	1.19 +2.59%
2002	1.16 +6.42%
2001	1.09

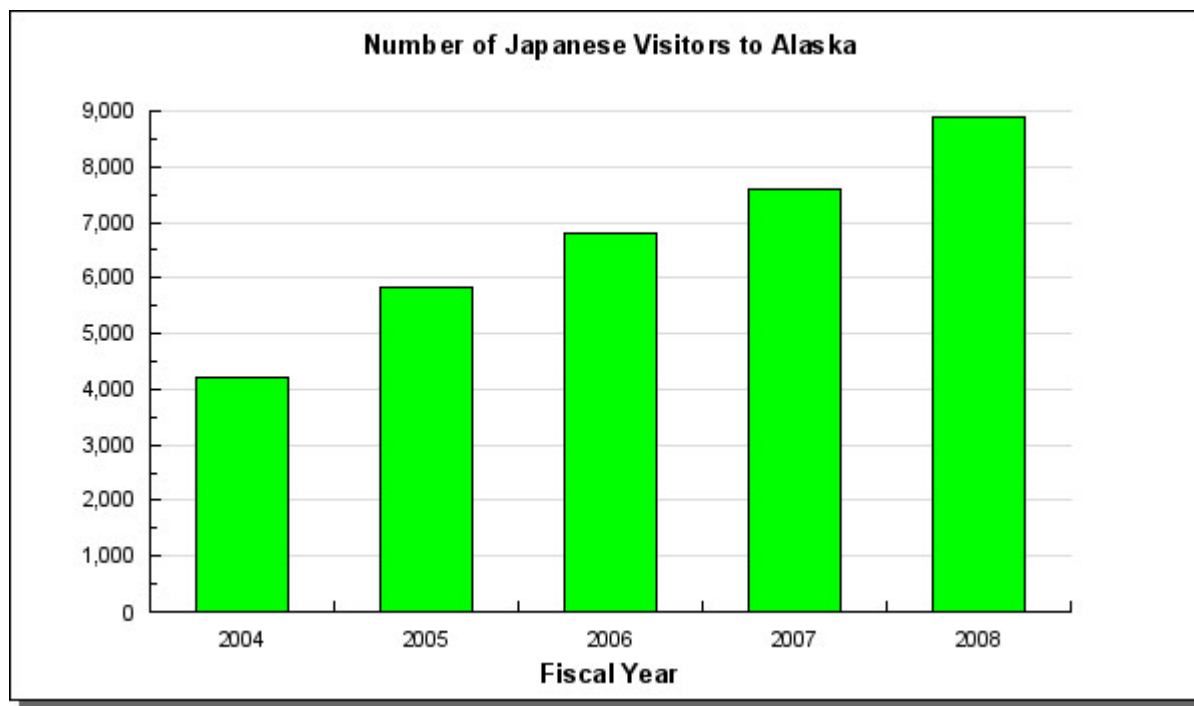
Analysis of results and challenges: The Alaska Visitor Statistics Program (AVSP) Summer 2006 report shows that 958,900 cruise ship passengers traveled to Alaska in 2006, a .6% increase over summer 2005.

Currently, we know that domestic visitors to Alaska increased about 7% between the summer 2005 visitor season (1.39 million domestic visitors) and the summer 2006 visitor season (1.48 million domestic visitors).

B1: Strategy - Increase international visitors to Alaska from Japan and Germany.

Target #1: 2% increase in visitors from Japan.

Status #1: Exceeded target of increasing visitors from Japan by 2% with a 17% increase in visitors from Japan in FY08.



Number of Japanese Visitors to Alaska

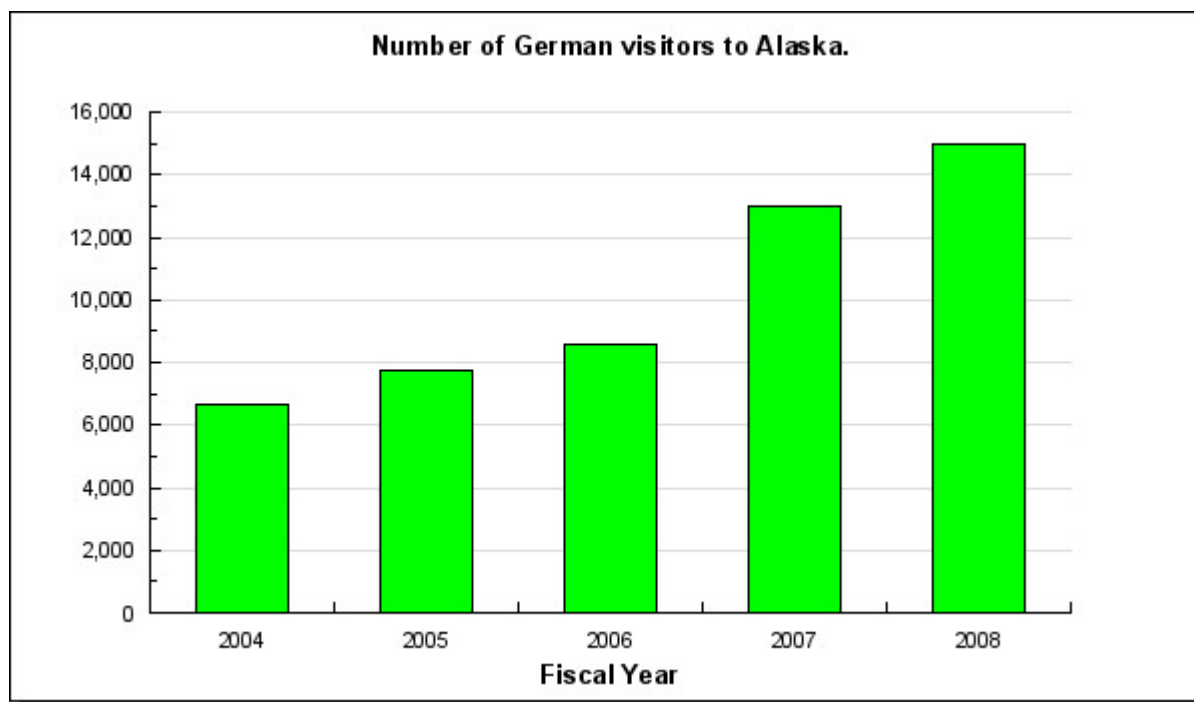
Fiscal Year	YTD Total
FY 2008	8,900 +17.11%
FY 2007	7,600 +11.76%
FY 2006	6,800 +16.24%
FY 2005	5,850 +39.29%
FY 2004	4,200

Analysis of results and challenges: Data above reflects the number of visitors from Japan who traveled via a direct flight. In FY06 that included 18 Japan Airlines (JAL) charters. JAL more than doubled the amount of winter charters which had a significant impact on visitation numbers and winter tourism to Alaska.

In FY06, ATIA commissioned a detailed study of international visitors in conjunction with the Alaska Visitor Statistics Program. Summer and winter visitation for the Japan market is estimated to be approximately 17,000 travelers. This higher number reflects the number of Japanese visitors who are traveling to Alaska by means other than Japan Airlines such as cruise ship or via a domestic gateway.

Target #2: 2% increase in annual visitors to Alaska from Germany.

Status #2: Exceeded target of increasing visitors from Germany by 2% with a 15% increase in annual visitors from Germany in FY08.



Number of German visitors to Alaska.

Fiscal Year	YTD Total
FY 2008	15,000 +15.38%
FY 2007	13,000 +51.71%
FY 2006	8,569 +10.98%
FY 2005	7,721 +15.88%
FY 2004	6,663

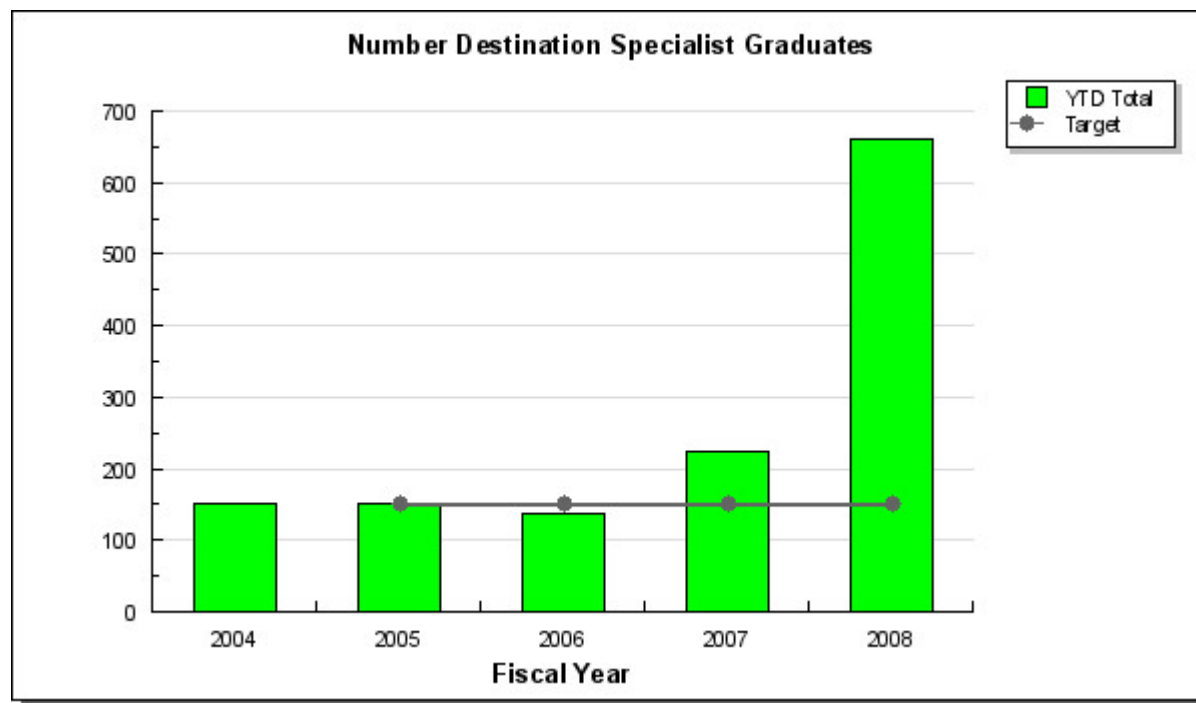
Analysis of results and challenges: Data above reflects the number of visitors who traveled directly to Alaska via Condor German Airlines summer charter flights. The program has been steadily growing every year and in FY06 Condor added an additional weekly direct flight to Alaska which increased the amount of visitors to the state from Germany.

However, results from the international report of AVSP estimate the market size from German-speaking Europe to Alaska in the summer of 2006 was close to 15,000 which reflects the additional travelers who arrived in Alaska by means other than Condor. This number is already outdated as the strength of the Euro against the U.S. dollar has significantly increased the number of visitors to Alaska from Europe.

B2: Strategy - Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Alaska Certified Expert course.

Target #1: 150 annual graduates from the Alaska Certified Expert course.

Status #1: Exceeded objective of 150 graduates in Alaska Certified Expert course with 660 graduates of the course in FY08.



Number Destination Specialist Graduates

Fiscal Year	YTD Total
FY 2008	660 +193.33%
FY 2007	225 +65.44%
FY 2006	136 -9.93%
FY 2005	151 +0.67%
FY 2004	150

Analysis of results and challenges: Destination Specialist graduates from the Travel Institute's training program decreased in FY06. ATIA designed its own specialist course for travel agents call the Alaska Certified Expert (ACE) and launched it in FY07. The program is a comprehensive training of how to package and sell Alaska including region and product information. The ACE program differs from the Travel Institute's program because it is free and is available online at www.TravelAlaska.com/trade. By making the training more interactive and accessible the ACE program has successfully produced more graduates.

Key Component Challenges

Getting the Message Out

Alaska spends less on tourism marketing than competing states, countries and cities. New taxes and fees on the tourism industry put pressure on the ability of businesses to contribute to QTA's marketing efforts. The cost to market (media placement, paper, postage) has increased substantially. Alaska's message to "take a vacation in Alaska" is

not being heard. Instead people are choosing to travel to destinations that are being featured on TV, in magazines and in other media.

High Travel Costs and Other Barriers

The costs of gas – and concerns about the national economy – affect many Americans' ability to travel for vacation purposes. The recent increase in energy costs has caused higher airfare prices and diminished flight capacity to Alaska. Research shows that consumers are traveling less, are not using all their vacation time, are traveling closer to home and personal savings are lower than the previous generation. These national trends do not bode well for Alaska long-haul travel. In addition, continuing passport regulation changes have the potential to reduce visitation to Alaska.

Significant Changes in Results to be Delivered in FY2010

None.

Major Component Accomplishments in 2008

Increased interest in Alaska as a visitor destination.

- Generated roughly 534,000 requests for Alaska trip planning information.
- Ran Alaska television commercials on two national cable networks.
- Mailed over 3 million direct mail packages to potential Alaska visitors.
- Generated approximately 86,000 responses to requests for highway travel information from independent travelers choosing to drive to Alaska.
- Maintained the conversion rate (the percent of people who visit during the year they requested information) at 16 percent. The conversion rate increases to over 33 percent when the response period is lengthened to four years.
- More than 1 million individual consumers visited ATIA's website, TravelAlaska.com. ATIA believes traffic to TravelAlaska.com is stronger than any other Alaska visitor related site.
- Hosted Alaska Media Road Show, ATIA's premiere media event which brings qualified writers/editors to meet one-on-one with Alaska tourism businesses. Major national newspapers and radio networks such as the Associated Press, Los Angeles Times, New York Times, Chicago Sun-Times, USA Today, Dallas Morning News, Copley News Service, ABC Sports, CBS Sports, Robb Report attended the two-day event.
- Conducted meetings and destination training for 1,590 travel agents and 210 tour operators.

Programs aimed at increasing international visitors

- ATIA worked with businesses, DMOs and the Japan ATIA office to promote use of direct non-stop service between Japan and Alaska. This successful effort resulted in a 30% increase of service in the winter and summer of 2008.
- Used research conducted in FY07 to enhance the ACE training program, making it more effective in equipping travel agents with the information they need to book independent travel to Alaska.
- Continued participation in the Travel Industry Association's annual Pow Wow event that brings together roughly 1,500 international and domestic travel buyers so they can develop new or expanded travel packages.

Positioned Alaska as a year-round destination

- Featured winter travel in State Vacation Planner by including winter images, listing winter activities in the Calendar of Events, and highlighting average temperatures and clothing tips to increase interest in travel to Alaska during the winter.
- Included comprehensive winter information on TravelAlaska.com so potential visitors could see what was unique to Alaska in the winter and begin planning their trips.
- Highlighted winter topics in e-newsletter sent to 1,200 travel writers/editors each month: northern lights viewing, cross-country skiing, hot springs in Alaska, Iditarod, Yukon Quest, All Alaska Sweepstakes, USPS Northern Lights postage stamp, World Classic and Great Alaska Shootouts basketball tournaments.
- Expanded the winter questions in the ATIA Conversion Study to obtain more detailed information on the specific winter activities visitors to Alaska participate in.
- Posted an electronic winter press kit on TravelAlaska.com/media so travel writers/editors have access to Alaska winter travel information anytime they need it.
- Conducted two winter familiarization tours for international tour operators.

Statutory and Regulatory Authority

AS 44.33.119-125 Tourism Marketing Contracts

Contact Information
<p>Contact: Caryl McConkie, Tourism Development Manager Phone: (907) 465-5478 Fax: (907) 465-3767 E-mail: caryl_mcconkie@alaska.gov</p>

**Qualified Trade Association Contract
Component Financial Summary**

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	4,200.0	9,000.0	9,000.0
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,200.0	9,000.0	9,000.0
Funding Sources:			
1004 General Fund Receipts	4,200.0	4,794.9	4,794.9
1200 Vehicle Rental Tax Receipts	0.0	4,205.1	4,205.1
Funding Totals	4,200.0	9,000.0	9,000.0

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor***All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	9,000.0	0.0	0.0	9,000.0
FY2010 Governor	9,000.0	0.0	0.0	9,000.0